

**TESTIMONY OF
ELAINE C. DUKE
U.S. DEPARTMENT OF HOMELAND SECURITY
CHIEF PROCUREMENT OFFICER
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM
July 27, 2006**

Chairman Davis, Congressman Waxman and Members of the Committee, thank you for the opportunity to discuss the Department of Homeland Security (DHS) acquisition program and our contracting procedures. I am the Chief Procurement Officer for the Department of Homeland Security (DHS). I am a career executive and I have spent most of my 23 years of public service in the procurement profession. On January 31, 2006, I was selected as the Department's Chief Procurement Officer.

Accompanying me today are Mr. John Ely and Mr. Rick Gunderson. Mr. Ely is the Executive Director of Procurement for Customs and Border Protection and manages the organization that provides procurement services to ensure the security of our nation's borders. He joins me today to answer any questions that this committee may have concerning CBP. Mr. Gunderson is the Assistant Administrator for Acquisition for the Transportation Security Administration and manages the procurement operations to ensure the security of our nation's transportation systems. He joins me today to answer any questions that this committee may have concerning TSA. Mr. Ely and Mr. Gunderson are both career executives with extensive careers in acquisition and public service.

In addition to CBP and TSA, as the Chief Procurement Officer (CPO), I provide oversight and support to six other procurement offices within DHS including, Immigration and Customs Enforcement (ICE), Federal Emergency Management Agency (FEMA), the Federal Law Enforcement Training Center (FLETC), United States Coast Guard (USCG), United States Secret Service (USSS), and the Office of Procurement Operations.

As the CPO, my primary responsibility is to manage and oversee the DHS acquisition program. I provide the acquisition infrastructure by instituting acquisition policies and procedures that allow DHS contracting offices to operate in a uniform and consistent manner. The use of strategic sourcing commodity councils across the eight contracting offices also allows DHS to secure volume discounts whenever possible. Commodity councils are cross departmental teams of subject matter experts that focus on developing the best strategy for acquiring groups of products and services. While I provide the infrastructure, the responsibility for properly planning and executing procurements rests with the components since, with the exception of the DHS' Office of Procurement Operations, each contracting office reports directly to the heads of the component it supports. Because seven of eight contracting offices report to the heads of their components, I strive to achieve functional excellence among the offices primarily through collaboration. I use the DHS Chief Acquisition Officers Council, comprised of the heads of each contracting office, to integrate the contracting function while maintaining the components' ability to meet their customers' unique needs.

My top four priorities for the DHS program are:

- First, to build the DHS acquisition workforce to enhance the Department's acquisition program.
- Second, to establish an acquisition system whereby each requirement has a well defined mission and a management team that includes professionals with the requisite skills to achieve mission results.
- Third, to ensure more effective buying across the eight contracting offices through the use of strategic sourcing and supplier management.
- Fourth, to strengthen contract administration to ensure that products and services purchased meet contract requirements and mission need.

Priority 1: Build the DHS acquisition workforce to enhance the Department's acquisition program.

Challenges:

Balancing the appropriate number of DHS contracting officials with the growth of DHS contracting requirements has been a challenge. At times, the gap between Department spending and staffing levels has placed increased demands on procurement officials. A study conducted by the Government Accountability Office (GAO) in 2004 revealed that the Office of Procurement Operations' contracting staff on average handled \$101 million per employee. FEMA in particular has experienced difficulties in hiring staff in this area. To address the lack of in-house capacity, the Office of Procurement Operations has

used interagency agreements with outside agencies for contracting assistance to effectively support the mission.

Solution:

Within the DC area competition for procurement personnel is substantial. On July 15, 2006 there were 45 job announcements in the DC area for acquisition personnel on USAJobs.gov, the website for posting federal employment opportunities. DHS has initiated staffing solutions to resolve personnel shortages. In particular, the Office of the Chief Procurement Officer has taken the lead Department-wide to create a centralized recruiting system for contracting personnel within all DHS components, enhance the DHS Acquisition Fellows Program which aims to recruit recent college graduates, and work with Human Resources to streamline the direct hire process. The FY 2007 Budget requests funding to hire additional procurement personnel. Higher staffing levels will improve DHS' ability to monitor department contracts and effectively identify and correct poor contractor performance.

DHS is also building in-house capacity to handle contracting actions so as to reduce reliance on interagency agreements, which typically require significant fees. In order to ensure that internal controls are in place when using interagency contracting, DHS issued a management directive that sets forth a number of oversight and management requirements. From 2004 to 2005, the percentage of dollars the Department sent to other agencies decreased based on total spend by 14% although the total dollars increased by 8.2%.

Priority 2: Establish an acquisition system whereby each requirement has a well defined mission and a management team that includes professionals with the requisite skills to achieve mission results.

Challenges:

Three factors guide the acquisition process: Technical, Cost and Schedule. These factors comprise the major elements of procurement decision-making and evaluation. On occasion, due to urgent and compelling circumstances, DHS enters into contracts for goods and services in short periods of time in order to provide immediate relief to meet pressing humanitarian needs and protect life and property. Balancing technical, cost and schedule requirements is challenging for all agencies, and is especially challenging for DHS given its mission and current contracting staffing levels. Since DHS operates in a rapid acquisition environment, it must prioritize acquisition planning – beyond that generally expected of an agency that does not have emergency response as a primary responsibility – to ensure that decisions are made properly and timely.

While an increase in contracting staff is critical to the success of the DHS program, also important is the development of an acquisition system that includes professionals from all disciplines to form an acquisition team, including program management. Without proper program management, contracting officials are unable to meet schedule requirements or adequately track and evaluate cost and technical criteria. While the

number of program management certified personnel is steadily increasing there are still a number of investments that are not managed by certified program managers.

Solution:

In order to mitigate the challenges that result from accelerated procurement schedules, the Office of the Chief Procurement Officer is currently promoting the use of an advance procurement planning system that should allow better program planning. To facilitate the contracting process, it is important that all parts of the acquisition program function correctly so that requirements are adequately defined, properly procured, and effectively managed to avoid misspending on technologies and services that may not achieve their objectives. In an effort to drive planning, the Department is strengthening its acquisition program by emphasizing acquisition planning throughout the entire procurement lifecycle including research and development, program management, and contracting.

The Office of the Chief Procurement Officer issued a management directive in May 2004, which mandated that all program managers meet the Department's certification and training requirements. Since the release of this directive, the number of personnel certified as program managers has increased dramatically from 0 in May 2004 to 348 in July 2006. Additionally, during this same time period, the number of certified program managers by investment level has increased from 0% to 23%. Recognizing that only 23% of investments have program management certified program managers, the Office of the Chief Procurement Officer is assessing the assignment of program management positions. The Office of the Chief Procurement Officer has also led the formation of a

Program Management Council as part of the Program Management Center of Excellence that is working to develop the policies, procedures and other tool sets needed for DHS Program Managers to succeed. A key component of this effort is the DHS Program Management certification program that is being used as the model for a government-wide certification program. Finally, DHS has implemented Earned Value Management (EVM) within high priority programs and a Program Management Periodic Reporting process to assess the performance of all major investments each quarter.

Priority 3: Ensure more effective buying across the eight contracting offices through the use of strategic sourcing and supplier management.

Challenge:

As a maturing organization, DHS faces challenges in conveying to its components the importance of consolidating requirements and collaborating procurement efforts. As the organization matures it is essential that DHS' strategic sourcing program work to promote the leveraging of buying activities within the Department.

Solution:

Strategic Sourcing is the process of leveraging an organization's buying power and the managing of strategic procurement spending in logical categories in order to emphasize various characteristics and achieve efficiencies and economies of scale. These characteristics include performance, price, total life cycle management costs, socio-economic goals, and stakeholder collaboration. DHS' strategic sourcing has added

value to the DHS investment review process, improved the quality and timeliness of the delivery of goods, and generated Department-wide savings on commodities such as aviation, boats, information technology, uniforms, weapons and office supplies. Since FY 2004, DHS has seen \$201 million in price savings and \$9 million in cost avoidance for a total of \$210 million in strategic sourcing program savings to date. For example, a strategic sourcing initiative for weapons and ammunition resulted in price reductions of 35%, two awarded contracts – one to a small business, \$1 million in cost avoidance for testing, and an extended warranty period.

Priority 4: Strengthen contract administration to ensure that products and services purchased meet contract requirements and mission need.

Challenge:

As DHS continues to work to align processes and resources within the Department, it is important that the organization procure goods and services that meet their required objectives to facilitate effective post-award contract administration and oversight.

Solution:

In order to ensure that contract technical and performance requirements are adequately defined and developed, DHS uses a knowledge-based approach to program and acquisition management. The Department's investment review process provides for discretionary milestone reviews based on risk as well as key milestone decision reviews prior to entering each new acquisition phase. Each component has oversight responsibility for all of their programs, regardless of acquisition level. Additional

departmental oversight is exercised through the Joint Requirements Council and the Investment Review Board. These groups are supported by an Integrated Program Review Team consisting of subject matter experts representing the Chief Procurement Officer, Chief Financial Officer, Chief Information Officer and the Chief of Administrative Services to provide better decision support. To improve oversight on major complex investments, DHS requires an investment review prior to prototyping a solution, which is a key decision point required prior to entering the concept and technology development phase. Similarly, the department may require a milestone review to assess the results of prototyping and readiness to proceed with a low rate production. In accordance with recent changes to the Federal Acquisition Regulation, DHS has begun a rigorous program requiring each major investment to report on the ongoing progress of its programs and its associated contracts against predetermined cost, schedule and performance measurements, including a provision for alerting senior department management to any potential breaches of any threshold level. During the fiscal year this process provided oversight for 53 major investments, each with total acquisition costs exceeding \$50 million. DHS is making progress towards the goals outlined in the external reviews, such as those provided by the GAO, but we recognize that more improvement is needed in order to reduce risks.

CONCLUSION:

In closing, accomplishing these key objectives requires collaboration and strong working relationships with all DHS stakeholders, to include private industry, other federal agencies, and members of Congress, to ensure DHS meets its mission as effectively as

possible. I am committed to continuing with fostering those relationships. Thank you for the opportunity to testify before the Committee about DHS contracting procedures and I am glad to answer any questions you or the Members of the Committee may have.